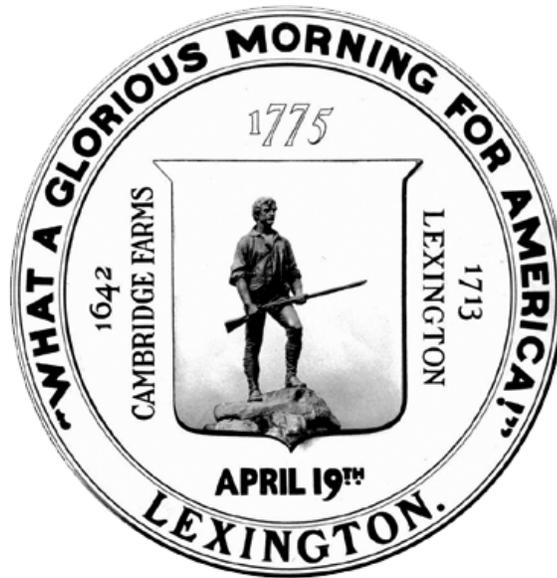


APPROPRIATION COMMITTEE

TOWN OF LEXINGTON



REPORT TO THE NOVEMBER 2015 SPECIAL TOWN MEETING #1

Released December 1, 2015

APPROPRIATION COMMITTEE MEMBERS

Glenn P. Parker, Chair • John Bartenstein, Vice Chair/Secretary
Robert N. Addelson (ex-officio; non-voting) • Kathryn Colburn • Mollie Garberg
Alan Levine • Beth Masterman • Eric Michelson • Richard Neumeier • Andrei Radulescu-Banu

<h1>Contents</h1>

Summary of Warrant Article Recommendations..... ii
Introduction 1
Warrant Article Analysis and Recommendations..... 2
 Article 2: Appropriate for School Facilities Capital Projects..... 4
 Article 3: Land Purchase and Improvements - 20 Pelham Road..... 5
 Article 4: Appropriate for Engineering Study - 20 Pelham Road 6

Summary of Warrant Article Recommendations

Abbreviations

EF	Enterprise Fund	CPA	Community Preservation Act
GF	General Fund	DSSF	Debt Service Stabilization Fund
RE	Retained Earnings	IP	A motion to Indefinitely Postpone is expected
RF	Revolving Fund	TDM	Traffic Demand Management

Ar- ticle	Title	Funds Requested	Funding Source	Committee Recommendation
2	Appropriate for School Facilities Capital Projects	\$5,386,000*	GF Debt	Approve (8-0)
3	Land Purchase and Improvements - 20 Pelham Road	None	N/A	IP
4	Appropriate for Engineering Study - 20 Pelham Road	Unknown	Unknown	Pending

* This amount includes \$450,000 for the cost of purchasing six modular classrooms, which is subject to recommendation by the School Committee and the Board of Selectmen.

Introduction

Special Town Meetings #1 and #2 were convened on Monday, November 2, 2015. Special Town Meeting #1 was adjourned until Wednesday, December 2, 2015, while Special Town Meeting #2 proceeded to votes on all articles and was dissolved that same evening.

The Committee published its report for Special Town Meeting #2 on Monday, October 26, 2015, along with a one-page addendum published on November 2, 2015.

The Committee anticipates that the December 2 session will adjourn with no further debate until Monday, December 7, 2015, at which time Town Meeting will begin debate on the articles.

This is the Committee's report for Special Town Meeting #1. It is being released on Tuesday, December 1, 2015, slightly less than one week before the December 7, 2015 session, and prior to an information session sponsored by the Town Meeting Members Association on Wednesday, December 2, 2015.

This report is distributed to the members of Town Meeting as a printed document and as an electronic document via the Town website.

Acknowledgements

The content of this report, except where otherwise noted, was researched, written and edited by members of the Committee with support from Town staff. Our Committee has the pleasure and the privilege of working with Town Manager, Carl Valente; Assistant Town Manager for Finance, Rob Addelson; our Budget Officer, Patricia Moore; the Capital Expenditures Committee; the Community Preservation Committee; the School Committee; the Permanent Building Committee; the Superintendent of Schools, Dr. Mary Czajkowski; the Director of Public Facilities, Pat Goddard; the Town Engineer, John Livsey; and the Board of Selectmen. We thank the municipal and school staff, Town officials, boards and volunteers who have contributed time and expertise to help us prepare this report. Last but not least, we thank Sara Arnold, who records and prepares the minutes for our meetings.

Warrant Article Analysis and Recommendations

The request under Article 2 funds a continuation of design work approved at the March 2015 Special Town Meeting, but it is important for Town Meeting members to understand Article 2 in a larger context. This request arises from an urgent and ongoing process to improve the Town's school facilities in response to growing student enrollment.

For well over a year, the School Committee has been exploring and refining options to renovate and/or extend existing buildings, and to construct new buildings as part of a long-term capital plan. This work has been done in close cooperation with Town staff, an architectural consulting firm, the Permanent Building Committee, the Capital Expenditures Committee, the Board of Selectmen, and this Committee.

The School Department has established a clear need for additional classrooms and related educational spaces, even after all available spaces have been deployed for classrooms, pushing art and music out of dedicated spaces.

The School Department also intends to redistrict elementary school students so that existing classrooms are used efficiently, and overcrowding is alleviated to the extent possible. Meanwhile, the Town must support the maintenance and replacement of school building systems that have reached their end-of-life status.

School Committee Plan

As of November 17, 2015, the School Committee made the following official recommendations:

- Keep the Lexington Children's Place (LCP), the Town's Pre-K program, at Harrington for now and, as LCP enrollments grow, allow LCP to use existing classrooms at the Central Office building (old Harrington). No space for the LCP will be leased at Minuteman Tech.
- Renovate and add new space to increase the capacity of both middle schools to accommodate expected enrollment increases.
- Replace Hastings Elementary School with a new 30 classroom building, with or without MSBA support.
- Lease 6 standard modular classrooms, 2 at Bridge, 2 at Bowman, and 2 at Fiske, for up to ten years.
- Upgrade the Diamond Middle School and Lexington High School HVAC systems.
- Acquire the 8-acre property at 20 Pelham Road for future use, possibly as a site for a new LCP, a relocated Central Office, or an elementary school.

The two School Committee recommendations below would likely require no appropriations before the summer of 2016:

- Construct a new LCP once a suitable permanent location has been found.
- Plan for renovations and a phased project at Lexington High School (LHS) to add capacity and relieve overcrowding that may occur as the LHS enrollment increases.

Projected Budgets for School Construction and Renovation

The table below summarizes the current estimates for the cost of construction projects in the School Committee’s recommendation. On the proposed schedule, these projects would all require funding within the next three years:

Project	Project Components	Construction Timelines	Component Budgets
Diamond	Base (incl. cafeteria & ILP) HVAC	4/2016–8/2018 4/2016–8/2018	\$34,541,900 \$10,000,000
Clarke	Base + PCB remediation	4/2016–8/2017	\$21,264,100
Hastings	New construction (no MSBA)	10/2016-8/2018	\$54,758,700
6 modular classrooms	Site prep, installation, and acquisition	9/2016	\$2,915,000
LHS	HVAC	5/2017–8/2019	\$13,125,000
LCP (Pre-K)	New construction	TBD	\$11,025,000
TOTAL			\$147,629,700

The table above does not include:

- Renovation of 4 classrooms at Harrington for general education use after a new LCP facility is built.
- Purchase cost of the property at 20 Pelham Road, which is still subject to negotiation.
- Further work at 20 Pelham Road, such as:
 - Upgrading the existing building to a 10 or 12 classroom elementary school.
 - Constructing a new elementary school on the site.
 - Reusing the existing building to house the LCP or the LPS central office.
 - Constructing a second access road to the site.
- Construction at Lexington High School that may be needed as soon as 5 years from now to accommodate increased enrollment.
- An alternative plan if the Town receives MSBA support for a new Hastings School.

Debt Exclusion Financing

Under the current plan, at the 2016 Annual Town Meeting the Selectmen are expected to request an appropriation of construction funds for all but the LCP (Pre-K) in the table above, followed by a referendum to approve one or more debt exclusions to fund these projects. Should the referendum be approved, some of the existing short-term General Fund debt for qualifying design services would be incorporated into the excluded debt financing.

When the Town issues long-term bonds, there can be an abrupt and sometimes substantial increase in debt service, followed by a gradual reduction in the debt service as the debt is paid down. The larger the amount of debt issued at any one time, the steeper the impact will be on the tax payers in the years immediately following.

The Town can appropriate money from the Capital Projects Stabilization Fund to attenuate the tax increases created by new debt service. The Capital Projects Stabilization Fund has a present balance of \$16,666,599, and it is anticipated that an additional amount of about \$3,000,000 will be added to the Fund at the 2016 Annual Town Meeting. If a debt exclusion referendum for the above projects is approved, the Fund will be used to attenuate the rate of tax increases over several years.

The debt will be issued in a mix of durations based on the expected lifespans of the projects that are funded, with some bonds of up to 30 years in duration. Previously, the Town has limited bond durations to no more than 20 years, and the use of 30 year bonds will be a change from past practice. The longer duration

will spread the principal payments over more years, thus reducing the annual debt service, but total interest costs for this debt will be larger, and the debt will affect tax payers over a longer period.

Lexington Public Schools Operating Budget

The Town’s operating budget and the School Department budget will both be impacted by the growing school enrollment. Preliminary projections completed by the School Department and Town staff in the fall of 2015 suggest that the growth in spending to accommodate growing enrollment will potentially outstrip the Town’s projected revenue by 2019. Barring other budget adjustments, such as a reduction in services, this could necessitate an operating override.

The Committee makes its recommendation on Article 2 mindful of the increased burden the operating budget may impose in the future.

Article 2: Appropriate for School Facilities Capital Projects	Funds Requested	Funding Source	Committee Recommendation
	\$5,386,000	GF Debt	Approve (8-0)

The appropriation will fund the preparation of design documents for the renovations at Diamond Middle School and Clarke Middle School, as well as preliminary design documents for new construction at Hastings Elementary School. This is the second round of appropriations of design funds for these projects.

The appropriation also includes \$2,915,000 for design documents and construction costs and acquisition of up to six modular classrooms at Bridge, Bowman and Fiske Elementary Schools.

The funds sought under the current article break down as follows:

Purpose	Appropriation
Diamond (design)	\$1,212,000
Clarke (design)	\$739,000
Hastings (design)	\$520,000
Six modular classrooms (design, site prep, acquisition)	\$2,915,000
TOTAL	\$5,386,000

Prior Authorization

Out of \$4,080,000 appropriated at the March 2015 Special Town Meeting in GF debt, \$3,190,372 has been spent or is encumbered for bill payments. An additional \$427,170 is projected to be released on December 2, 2015, by the Board of Selectmen, and will cover design costs at Diamond, Clarke and for the modulars at Bridge, Bowman and Fiske. After the release of this amount, the remaining amount will be \$462,458. If these funds are not released in the future, the authorization for the unused debt may be rescinded at a future town meeting.

Project Details

The Diamond project consists of a 36,000 sq.ft. brick and mortar addition and a 36,500 sq.ft. renovation of the existing 139,916 sq. ft. building. Six general education classrooms will be added, replacing the same number of modular units that are at their end of life, and thereby maintain the number of general education classrooms at 36. The project includes addition of Intensive Learning Program (ILP) spaces, improved special education (SPED) spaces, an increase in the number of science labs from 9 to 12, and increased art, music, drama and engineering spaces. The HVAC systems will be updated in the old wings

of the building. The cafeteria will be relocated, and parking/circulation will be updated. The construction project total is budgeted as \$44,541,900.

The Clarke project consists of a 17,400 sq.ft. brick and mortar addition and renovation of 15,900 sq.ft. of the existing 128,559 sq. ft. building. The project includes an increase in the number of general education classrooms from 30 to 35, an increase in the number of science labs from 9 to 11, improved SPED spaces, and increased art, music, drama and engineering spaces. Permanent partitions will be installed to replace the temporary partition walls that separate some of the classrooms. Parking/circulation will be updated. The Clarke construction project budget total is \$21,264,100.

The Hastings project is a new 30-section school of 100,100 sq.ft. estimated to cost \$54,758,700 without MSBA support, and \$40,749,850 with MSBA support. It would have 9 more classrooms than the current Hastings Elementary School.

The six modular classrooms would require \$2,465,000 for design and site preparation, plus \$450,000 for acquisition (as opposed to an estimated \$100,000 per year to lease all six). The acquisition costs would be funded with debt, whereas leasing costs would have to be funded within the operating budget.

This outcome of this appropriation will be affected the MSBA’s response to the Hastings Statement of Interest, and (in part) on the Town’s acquisition of 20 Pelham Road and a determination of how best to use the property. If the MSBA accepts the Hastings proposal, it is expected that the Town would proceed with the MSBA-mandated process. This would require the Town to submit a revised appropriation request for design at Hastings that conforms to MSBA standards. Many questions about 20 Pelham Road cannot be properly considered until the Town has acquired the property, but the School Department’s capital plan will likely be updated if the property is made available for school purposes.

In view of these uncertainties, the Committee expects that there will need to be some flexibility in the allocation of the appropriated funds. We have asked Town staff to present a spending timeline that explains how and when the decision to use each portion of this request will be made.

Member Concerns

Some members of the Committee have questioned whether the School Committee’s current recommendation adequately addresses the current overcrowding and expected future growth in the elementary schools. These members recognize that replacing or renovating Hastings is necessary to remedy the deficiencies of the building, but they suggest that some alternative plans could better relieve overcrowding from a Town-wide perspective. Since the design work on Hastings is a necessary part of the capital plan, regardless of the timing and funding of the construction, these members support the current request for design funds, pending further information regarding MSBA and/or Pelham.

The Committee recommends approval of this request (8-0).

Article 3: Land Purchase and Improvements - 20 Pelham Road	Funds Requested	Funding Source	Committee Recommendation
	None	N/A	IP

As of publication, the Town has not completed negotiations with the Armenian Sisters and the Catholic Archdiocese of Boston regarding the purchase of the property at 20 Pelham Road. The Committee therefore expects that this request will be indefinitely postponed.

The Town may resubmit this request at a future Town Meeting.

The Committee will support a motion to indefinitely postpone this request.

Article 4: Appropriate for Engineering Study - 20 Pelham Road	Funds Requested	Funding Source	Committee Recommendation
	Unknown	Unknown	Pending

As of publication, the Board of Selectmen has not taken a position on this Article. This Article may be indefinitely postponed, or the Selectmen could request funds to study improved vehicle access to 20 Pelham Road without having first acquired the property.

The Committee will report on this request during Town Meeting.